

Real Estate Safer Than Stocks **January 27, 2013**

Dear Dave: Is investing in real estate safer than investing in the stock market?

Answer: Yes, particularly in Alaska, and particularly at this time. Indeed, in the uncertain times ahead for the Nation's finances, all homeowners should strive for 100% ownership and zero debt. This is not to say that borrowing money at 3.25% should not be taken advantage of, but individuals should not form the same bad habits as the Federal Government. Pay off your mortgage as soon as you can.

20% of all Government revenue (i.e. taxes) goes to paying interest only on the nation's \$16 trillion debt. This outrageous behavior is coming to a head at last, and the judgment day will affect stocks. Your taxes are, in other words, barely keeping the debt level (in fact, it will go up before it comes down – this is according to a “Ceiling” set by the Congress and Senate) and, even at the present ceiling, each American owes \$52,000 in national debt.

The stock market is, furthermore, seriously overbought at this time, at decade highs when fundamentals do not support it, and I expect a minimum 10% correction, probably 20%, in this coming year.

Stocks are a reflection of investor confidence and there are several additional cages that may well rattle in 2013. The United States, Japan, Britain and the EU (European Union) are all money printers at this time, just trying to print their way into economic growth.

The most serious risk comes from Europe which, though called a “Union”, is not a ‘United Europe’ like the ‘United States’. It is a voluntary union of countries with differing belief systems, motivations, cultures and priorities. You think the United States is having trouble making decisions? How do you think 27 separate countries will do? The crisis in the U.S. will be severely exacerbated by the European crisis, currently veiled in optimistic speeches by the European Central Bank and others.

When European debt and rescue issues become front and center again this will cause a big impact on stocks. Why? – Because the EU is our biggest trading customer. When the EU falters, U.S. stocks will suffer.

Since Alaska's resource based economy is sound (respected State Economist, Neil Fried, predicts an additional 1800 jobs in Anchorage this year), your real estate in Alaska is obviously safer than stocks in 2013.

Longer term, it is possible to make gains on the stock market, but it requires enormous dedication to analysis and, furthermore, the individual investor is competing with super-computers and auto-generated rapid trading from those computers. Even well-known Brokerage firms find it difficult to guarantee a return at this time.

Alongside real estate, other real commodities including gold are a safe long-term bet. Commodities (e.g. Copper, Silver, Oil & Gas) will be in increasing demand on the planet, and Gold is simply an alternate currency. Countries printing money (currently the U.S. is buying its own IOU's at \$85 billion per month) will shortly start to lose the value in their currency but real assets remain. In fact, not only is your real estate asset safer than stocks, it will likely be appreciating strongly by 2015 as inflation takes hold.

Dear Dave: This winter, I went to the attic crawl space to put away my Christmas decorations and, low and behold, what do I see? Icy sparkles were covering my wooden attic roof and nails from the shingles. Never before have I seen this, and thought maybe it was the cold minus the snow. I recently paid someone to re-insulate the attic of our home, built in 1965, with pink insulation and I blocked one of two chimney fireplace flutes. The blocked flute leads to a downstairs bedroom fireplace which we don't use. The other flute we use for a wood stove with a blower on the second floor and it remains open. Our boiler vents to the outside through a roof pipe.

After researching online, I went up and checked all of the vents to make sure they were working properly, not blocked, and not letting excess moisture into the attic. After crawling around in the insulation, I found the problem. One of our heavily used bathrooms was venting totally into the attic since the vent pipe separated apart between two fittings. If the pipes were together the bathroom would have vented the shower steam outside the house. After I found the problem I saw the frost, about 1/8", was obviously more concentrated in the area causing the problem. Reconnecting and fixing the split pipes was easy. However, my internet searches didn't tell what to do about all of the frost and sparkles. I don't want a mold problem in the summer when the frost melts. My husband tells me to just wait until summer as it's below freezing in the attic and our house is 4.5 stars. Should I lay plastic down to catch the excessive moisture when it melts, will the excess moisture evaporate on its own, or should I just plan to replace any insulation under the heavily frosted areas this summer?

Answer: Not to worry, this is a very common phenomenon, whether or not your vent pipe was properly connected. Frost on nail heads and on the underside of the roof occurs naturally when heat loss from the house causes condensation, even if you have a well ventilated attic.

The frost will evaporate when temperatures rise into the 20's because, with the added heat loss from the house, attic temperature will then rise above freezing. Do not put plastic down on the insulation as this will trap moisture between the 2 sides of the insulation, because your ceiling already has a vapor barrier of its own.

Bottom line, it can be scary to peek into the attic in winter and it is important to have good airflow from ventilation up there. It is also important to minimize heat loss into the attic and moisture escapement from vents. But frost is fairly common during extreme cold.